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September 10, 2019

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk / Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Re: Duke Energy Progress, LLC's Application to Issue and Sell Securities
Docket No. 2019-____-E

Dear Ms. Boyd:

Enclosed for filing on behalf of Duke Energy Progress, LLC (the "Company"), please find an application for authorization, pursuant to S.C. Code Ann. § 58-27-1720 and S.C. Code Reg. 103-823, to issue and sell securities. A copy of this filing is being provided to the Office of Regulatory Staff.

Please feel free to contact me should you have any questions.

Kind regards,

Sam Wellborn

SJW:tch

Enclosure

cc w/enc: Jeffrey M. Nelson, Chief Legal Counsel, ORS (via email)
Heather Shirley Smith, Deputy General Counsel (via email)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2019- -E

Application of Duke Energy Progress,
LLC, for Authorization Under Article 13,
Chapter 27 of Title 58 of the Code of Laws
of South Carolina (1976, As Amended) to
Issue and Sell Securities

**APPLICATION FOR APPROVAL TO
ISSUE AND SELL SECURITIES**

Pursuant to S.C. Code § 58-27-1720 and S.C. Code Ann. Regs. 103-823, Duke Energy Progress, LLC (the “Company”) hereby makes the following application for authorization from the South Carolina Public Service Commission (“Commission”) to issue and sell a maximum of \$3,500,000,000 aggregate principal amount of securities of the types listed herein, in the manner hereinafter described. In support of this Application, the Company shows the Commission the following:

1. Description of the Company

The Company is a limited liability company duly organized and existing under the laws of the State of North Carolina, domesticated under the laws of the State of South Carolina to conduct business within this state. It is engaged in the business of generating, transmitting, distributing and selling electric power and energy, and is a public utility subject to the jurisdiction of this Commission and the North Carolina Utilities Commission. It is a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company is a wholly owned subsidiary of

Duke Energy Corporation, which is a holding company headquartered in Charlotte, North Carolina. Duke Energy Corporation wholly owns six other regulated, public utility subsidiaries, Duke Energy Carolinas, LLC, Duke Energy Florida, LLC, Duke Energy Indiana, LLC, Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., and Piedmont Natural Gas Company, Inc. In addition, Duke Energy owns various nonregulated energy businesses primarily located in the U.S.

2. Notices and Communications

The name and address of the Company's attorney who is authorized to receive notices and communications with respect to this application is:

Heather S. Smith
Deputy General Counsel
Duke Energy Progress, LLC
40 West Broad Street/DSC
Greenville, SC 29601
864.370.5045
heather.smith@duke-energy.com

3. Outstanding Debt Obligations

The Company's existing outstanding long-term debt principally consists of First and Refunding Mortgage Bonds, Senior Debt, Tax Exempt Bond Obligations, Finance Leases, Accounts Receivable Securitizations, and Other Long-Term Debt. A schedule of all such Bonds, Senior Debt, Tax Exempt Bond Obligations, Finance Leases, Accounts Receivable Securitizations, and Other Long-Term Debt outstanding as of March 31, 2019 is attached hereto as Exhibit A. All of the outstanding First Mortgage Bonds were issued under the terms of a Mortgage and Deed of Trust, dated as of May 1, 1940, as amended from time to time, between the Company, The Bank of New York Mellon (formerly Irving Trust Company) and Tina D. Gonzalez (successor to Frederick G. Herbst), as Trustees (hereafter sometimes referred to as the

“Mortgage”). The Accounts Receivable Securitization consists of debt of the Company’s subsidiary, Duke Energy Progress Receivables, LLC. The Finance Leases consist of certain pipeline and building leases.

The Tax Exempt Bond Obligations resulted when the Company borrowed the proceeds of the sale of tax exempt pollution control or solid waste disposal revenue bonds issued by various governmental authorities pursuant to authorization granted by this Commission.

The Other Long-Term Debt includes a financing arrangement utilizing commercial paper backed by the long-term credit facility described in Section 4(ii) below and certain borrowings under the Money Pool Agreement between Duke Energy Progress and certain affiliates of Duke Energy Corporation.

4. Description of Proposed Securities

Subject to the approval of this Commission and the North Carolina Utilities Commission, the Company proposes to issue, sell, incur or undertake from time to time a maximum of \$3,500,000,000 aggregate principal amount of all or any combination of Proposed Debt Securities, Long-Term Bank Borrowings, Tax Exempt Bond Obligations, and Finance Lease Obligations. The Company also proposes to enter into Interest Rate Management Agreements. All of such financial transactions are further defined or described below (and are collectively referred to as, the “Proposed Securities”):

(i) Long-Term Debt Securities (“Proposed Debt Securities”)

The Proposed Debt Securities may be unsecured debt instruments or First and Refunding Mortgage Bonds.

To the extent the Proposed Debt Securities are Senior Notes, they will be created and issued under the Senior Indenture as heretofore supplemented or as further supplemented by a Supplemental Indenture to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are unsecured senior notes, they will be created and issued under, and subject to the provisions of the Indenture (for Senior Notes), dated as of March 1, 1999 between the Company and The Bank of New York Mellon, as Trustee, as amended and supplemented, which is substantially in the form attached hereto as Exhibit B, as further supplemented by the Supplemental Senior Note Indentures, to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are the Company's First and Refunding Mortgage Bonds, they will be created and issued under the Mortgage, as heretofore supplemented and as to be further supplemented and amended by a Supplemental Indenture to be executed in connection with their issuance. They will be subject to all of the provisions of the Mortgage, as supplemented, and by virtue of said Mortgage will constitute (together with the Company's outstanding First and Refunding Mortgage Bonds) a first lien on substantially all of the Company's fixed property and franchises.

When any of the Proposed Debt Securities are issued for refunding or refinancings, the Company proposes to execute the proposed transactions so that, over time, there will be no material effect on the Company's capitalization with respect to the source of funds.

The Proposed Debt Securities may also consist of debt securities subject to remarketing prior to maturity. Consistent with prior orders of the Commission, any remarketing of such securities or resetting of their interest rates prior to the scheduled maturity date would not be deemed to be a re-issuance of such securities by the Company, so as to reduce the amount of

securities otherwise permitted to be issued by the Company pursuant to the terms of the Commission's order in this docket.

(ii) Long-Term Bank Borrowing

The Company further seeks permission to make long-term borrowings under its Master Credit Facility ("Long-Term Bank Borrowings") or other similar bank borrowing arrangements. As of July 31, 2019, the Company had a \$1.25 billion borrowing sublimit under Duke Energy's approximately \$8.0 billion master credit facility with a group of banks. Duke Energy Progress may increase its borrowing sublimit under the master credit facility to a maximum of \$1.4 billion, as may be necessary to improve its liquidity and financial flexibility. Borrowings under the facility are available for general corporate purposes. The current five-year facility will expire on March 16, 2024. Under the agreement, any borrowing of more than one year in duration by the Company (or any other borrower other than Duke Energy Corporation) must be specified as a long-term borrowing in the notice of borrowing to the lenders. The Company therefore requests the Commission's approval for borrowings in excess of one year in duration, under the Master Credit Facility or such other similar bank borrowing arrangements the Company may enter into from time to time.

(iii) Tax Exempt Bond Obligations

The Company proposes to enter into agreements to borrow proceeds from the sale of tax exempt debt securities issued by one or more governmental authorities ("Tax Exempt Bonds"), to fund construction of qualifying facilities associated with the Company's electric generation plants (and qualifying related expenditures), to reimburse costs previously expended for such purposes, or to refund previously outstanding Tax Exempt Bonds. The Company's obligation to repay the issuing authority may be direct, through a secured or unsecured loan agreement

between it and the authority, or indirect through financing arrangements such as a letter of credit posted by a bank to secure the Company's obligations on the Tax Exempt Bonds. The Company's direct obligation under a loan agreement with the authority may be insured by a third party or secured by issuance of a First and Refunding Mortgage Bond or other secured instrument.

(iv) Finance Lease Obligations

The Company proposes to enter into finance lease obligations ("Leases"), under which it will utilize lease financing structures as another form of financing the capital requirements discussed in Section 9 of this Application. The Leases will have structures and terms similar to other forms of debt financing, but with the potential, in certain instances, to lower the overall cost of financing property acquisitions.

Leases may be used to finance the construction or acquisition of new property, including in connection with construction of new electric plant, or refinancing of existing utility property, in order to optimize the cost of financing commensurate with such property's expected life. The property expected to be leased will consist of (a) electric generating facilities, and equipment used in the Company's operations including, but not limited to, meters, landfill and coal yard heavy equipment, transportation equipment, turbines, transformers, water pumps, exhaust stacks, substations, computers and office equipment, and intangible property such as software and site licenses, and (b) real property, office buildings and other such property used in the Company's operations (collectively, the "Property").

The amount financed under each Lease, excluding transaction costs, is not expected to be more than the net capitalized cost of the Property or the appraised value of the Property (in the event more than the capitalized cost is financed).

In accordance with generally accepted accounting principles, the net capitalized cost of property usually includes installation, training, allowance for funds, administrative overhead and other costs capitalized in connection with acquiring and placing the property in service. Such costs are expected to be included in the Property cost financed under each Lease.

To effectuate Lease transactions, the Company may obtain third-party lease financing for the original purchase or refinancing of Property acquisitions, and an agreement may be executed with a financing counterparty (the “Lessor”) setting forth the terms of each Lease.

As part of the consummation of a Lease transaction, the Lessor may typically either (1) pay the vendor and the Company for their respective costs associated with the Property acquisition or (2) reimburse the Company for the capitalized cost of the Property, with the Company concurrently paying the vendor the invoice cost.

The Company may enter into one or more participation agreements with its affiliates and the Lessor in connection with the Leases, with such agreements defining the Company’s role as principal and, as applicable, agent on behalf of its affiliates for billing and payment remittance purposes. Such arrangements may be undertaken solely for administrative efficiencies and the convenience of the parties involved and will be subject to applicable standards relating to transactions among affiliates.

At the end of each initial or renewal lease term, it is anticipated that the Company will have an option to either (a) renew each Lease pursuant to arm’s-length negotiation with the Lessor or other potential lessors, (b) purchase the Property, or (c) terminate the Lease.

(v) Interest Rate Management Agreements

As described in its previous Application dated December 1, 2016, in Docket No. 2016-398-E, the Company utilizes various techniques to manage the interest costs it incurs in

connection with its financial obligations. Although it is unclear whether or not such activities constitute the issuance of securities within the meaning of S.C. Code Ann. § 58-27-1720, the Company nevertheless respectfully requests that the Commission grant it authority to utilize interest rate management techniques and enter into Interest Rate Management Agreements to manage its interest costs. Having explicit Commission authority for such agreements will allow the Company to be able to defer the mark-to-market impact of Interest Rate Management Agreements under Statement of Financial Accounting Standards 71. Such authority will allow the Company sufficient alternatives and flexibility in effectively managing interest rate risk.

Interest Rate Management Agreements will include products commonly used in today's capital markets. These products include, but are not limited to, interest rate swaps, caps, collars, floors, options, or other hedging products such as forwards or futures. The Company expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated notional amount and may be entered into in connection with underlying fixed or variable obligations of the Company.

The Company will establish pricing for Interest Rate Management Agreements through negotiated offerings, through a competitive bidding process, or otherwise in accordance with recognized market practices.

The notional amount of any given Interest Rate Management Agreement will correspond to all or a portion of a current or future debt security authorized by statute or Commission order. Therefore, entry into a given Interest Rate Management Agreement itself will not reduce the amount of "shelf" authority under a Commission order governing such a debt security.

5. Method of Issuance and Sale

To the extent the Proposed Securities are issued and sold in one or more public offerings subject to registration under the federal securities laws, the Company will sell the Proposed Securities during the effective period of a “shelf” registration statement which the Company has filed with the Securities and Exchange Commission in connection with the registration of such securities. The Company proposes to enter into negotiations with, or request competitive proposals from, investment banks or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance of Proposed Securities in accordance with the terms thereof. The Company will determine which sales method and financial institution(s) will provide the most favorable terms to the Company for any issuance and sale of the Proposed Securities. Certain types of the Proposed Securities, such as bank borrowings, leases and interest rate management agreements, are not typically “sold” in a public or private offering. The method of issuance of such securities, or incurrence of obligations, will be as described in the corresponding part of Section 4.

6. Previously Granted Authority

The authority requested herein is to replenish the authority previously granted under the Commission’s Order No. 2017-63 issued February 10, 2017 in Docket No. 2016-398-E, of which \$3,074,863,277 has been utilized and \$425,136,723 remains. The Company requests that the remaining authority granted in such docket be terminated, and subsumed within the authority which may be granted under the Commission’s order in this docket.

7. Fees and Costs

The Company will pay no fee for services (other than attorneys, accountants, trustees, rating agencies and fees for similar technical services) in connection with the negotiation and

consummation of the issuance and sale of any of the Proposed Securities, nor for services in securing underwriters, agents, dealers or purchasers of such securities (other than fees negotiated with such persons).

8. Use of Proceeds

Proceeds from issuance of the Proposed Securities may be used for (a) the purchase or redemption of the Company's outstanding higher cost securities as hereinafter provided, (b) refunding maturing securities, (c) financing the Company's ongoing construction, as further described in Section 9 hereof or (d) the Company's general purposes, as allowed. In each case, such proceeds may be used for the repayment of short-term debt incurred for such purposes.

When the net proceeds from the issuance of any of the Proposed Securities will be applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured debt securities, such issuances will be made from time to time when market conditions permit, on terms which would result in a lower cost of money to the Company. Any premium paid on purchased or redeemed debt securities will be amortized over the life of the new securities, and the Company proposes to include the after-tax amount of such unamortized premium in Company's rate base as a component of working capital. As previously noted, the net proceeds of any of the Proposed Securities may be applied and used by the Company to refund maturing securities, including the repayment of short-term debt incurred for that purpose. A schedule of the maturities of the Company's outstanding debt securities is provided in Exhibit A.

9. Electric Plant and Demand Growth

The Company is continuing its construction program of additions to its electric generation, transmission and distribution facilities in order to, among other things, (i) meet the

long-term expected increase in demand for electric service, (ii) construct and maintain an adequate margin of reserve generating capacity, and (iii) conduct necessary replacements of major generating plants and plant components, and is funding coal ash basin closure costs.

The Company connected approximately 23,515 new customers in 2018 and continues to incur significant capital expenditures related to expanding and replacing its transmission and distribution system.

The Company's electric energy sales were approximately 43.3 million and 44.8 million megawatt hours for 2017 and 2018, respectively. Sufficient financing of its current construction program is essential if the Company is to continue to be able to meet its obligations to the public to provide adequate and reliable electric service. The Company's electric plant construction expenditures were \$1.7 billion and \$2.2 billion for each of 2017 and 2018, respectively. Further information is set forth in the Company's financial statements attached as exhibits to this Application.

The Company's plans include incurring significant capital expenditures for maintenance of its existing generation plants, construction of new electric generation plants, modernization of the electric grid, and coal ash basin closure costs. During the period 2019 through 2023, the Company plans to invest approximately \$9.6 billion in its electric plant, including grid modernization and coal ash basin closure costs. Adequate financing authority as applied for herein will allow the Company to access the capital markets to efficiently fund these necessary capital expenditures.

10. Purposes and Compatibility with Public Interest

The purposes of the issuance, sale, and/or incurrence of the Proposed Securities are lawful objects within the limits of the Company's authority and purposes under the applicable

laws and regulations, and as set forth in its Limited Liability Company Operating Agreement, as amended, which is on file with this Commission. For the reasons set forth above, the issuance and sale of the Proposed Securities will be compatible with the public interest, will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

11. Financial Condition and Operating Reports

The financial condition of the Company and its results of operations are shown by the Company's Annual Reports to the Commission and by other records of the Commission relating to the Company.

12. Exhibits

Exhibits submitted, or incorporated by reference, in support of the Application include the following:

- | | |
|-------------|--|
| EXHIBIT A | Unconsolidated Schedule of Outstanding First and Refunding Mortgage Bonds, Notes and Other Obligations of the Company as of March 31, 2019. |
| EXHIBIT B | Copy of Senior Indenture of the Company to the Bank of New York Mellon, as Trustee, dated as of March 1, 1999. |
| EXHIBIT C-1 | Copy of the Company's Articles of Organization dated August 1, 2015. |
| EXHIBIT C-2 | Copy of the Company's Limited Liability Company Operating Agreement dated August 1, 2015. |
| EXHIBIT D | Annual Reports of the Company to the Commission and other records of the Commission relating to the Company. Reference is made to these reports and records on file with the Commission. |
| EXHIBIT E | Unconsolidated Balance Sheet of the Company at March 31, 2019, including pro forma effects of proposed issuance and sale. |

- EXHIBIT F-1 Unconsolidated Statement of Income of the Company for the twelve months ended December 31, 2018.
- EXHIBIT F-2 Unconsolidated Statement of Income of the Company for the three months ended March 31, 2019.
- EXHIBIT G Unconsolidated Statement of Cash Flows for the three months ended March 31, 2019; and Statement of Changes in Equity of the Company for the three months ended March 31, 2019.
- EXHIBIT H Unconsolidated Statement of Capitalization of the Company at March 31, 2019, including pro forma effects of proposed issuance and sale.

WHEREFORE, the Company respectfully requests that the issuance and sale of the Proposed Securities in the manner set forth herein be authorized and approved by the Commission.


This the 10th day of September, 2019.


s/Samuel J. Wellborn
ROBINSON GRAY STEPP & LAFFITTE, LLC
1310 Gadsden Street
Columbia, SC 29201
Telephone: (803) 929-1400
swellborn@robinsongray.com

Attorneys for Duke Energy Progress, LLC

**VERIFICATION
PURSUANT TO
S. C. Code § 58-27-1720**

The undersigned officers of Duke Energy Carolinas, LLC verify that this Application is in compliance with § 58-27-1720, South Carolina Code of Laws (1976 as amended).


John L. Sullivan, III
Assistant Treasurer


Robert T. Lucas III
Assistant Secretary

Sworn to and subscribed before me
this 4th day of September ____, 2019.


Notary Public



My commission expires: 06/08/2020